

Report of Independent Accountants

We have examined management's assertion, included in the accompanying "Report of Management on Compliance with the Federal Communications Commission's Third Payphone Order", that as of June 30, 2004, Qwest Corporation (the "Company") has designed and developed systems and procedures to be operational on July 1, 2004 to meet the payphone call tracking system requirements set forth in Appendix C of the FCC's Report and Order 03-235² (the "Order"). Management is responsible for Qwest Corporation's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about Qwest Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that Qwest Corporation complied with the aforementioned requirements as of June 30, 2004 is fairly stated, in all material respects.

This report is intended solely for the information and use of Qwest Corporation and all other parties specified in the Order and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

June 30, 2004

² Refers to the Federal Communications Commission Report and Order CC Docket No. 96-128 *In the Matter of The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, released October 3, 2003.



Report of Management on Compliance With the Federal Communications Commission's Third Payphone Order¹

Management of Qwest Corporation ("QC" or "Qwest") is responsible for complying with the requirements set forth in Appendix C of FCC 03-235 ("Third Payphone Order") as of the date of this report.

Management has performed an evaluation of Qwest's compliance with the requirements of the Third Payphone Order as of the date of this report. Based on this evaluation, we assert that Qwest has complied with the requirements of the Third Payphone Order.

Qwest complied with the requirements of this order in the following manner:

Qwest has developed a system to identify and collect completed coinless access code or subscriber toll-free payphone calls to completion.

- a. Automated Message Accounting ("AMA"), TOLL, and WATS call detail is extracted daily on six mainframe processors from CRIS billing (Eastern Region – 1 processor, Western Region – 2 processors, Central Region – 3 processors) and AMA history files. The daily activity is aggregated throughout the quarter. After the close of the quarter the aggregated detail is matched to an Automated Number Identification ("ANI") master list to filter out non-compensable calls. The remaining calls are then matched to a contracted ANI list. These are business contracts that QC has with payphone service providers for direct compensation. Contracted ANI'S are filtered to exclude non-toll free 800 call detail.
- b. AMA call detail is extracted when the call is made to an 800# company official number that is identified by call code 141 and 142 (800 database look-up call code). The indicator that the call was completed must be present. CC141 is further qualified to only select records with Carrier Identification Code ("CIC") code 0098 (QC CIC code). Call code 142 is further qualified to only select records that match the Qwest 800

¹ The "Third Payphone Order" refers to *In the Matter of The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, Report and Order, released October 3, 2003 by the Federal Communications Commission ("FCC"). The requirements of the Third Payphone Order are set forth in Appendix C of the above referenced Report and Order.

CALLNET database. These records are then filtered to only select INTRALATA call detail. The last filter is to exclude calls made to a special needs 800 number within Qwest (hearing impaired, etc.)

- c. WATS call detail is selected when the LATA type indicator is set to INTRALATA and the record is marked as an originating IN-WATS message type. The indicator that the call was completed must be present. In Central and Western CRIS the BOC, carrier id for Qwest must be present ('0000'), and in Eastern CRIS, the Qwest entity code must be present ('010', '011', '012', or '013'). The indicator that the call is a coin originated call must also be present. Lastly, the call must not be made to a special needs 800 number within Qwest (hearing impaired, etc.).
 - d. TOLL call detail records are extracted when they are identified as 800 service line, directory assistance, or toll usage for both local and OUTCOLLECT calls. All data must have the LATA type indicator set to INTRALATA. The indicator that the call was completed must be present. In Central and Western CRIS the BOC, carrier id must be present ('0000'), and in Eastern CRIS, the Qwest entity code must be present ('010', '011', '012', or '013'). The indicator that the call is a coin originated call must be present and the call must not be made to a special needs 800 number within Qwest (hearing impaired, etc.).
2. Qwest has designated persons, responsible for tracking, compensating, and resolving disputes concerning completed payphone calls or has contracted with Billing Concepts, Inc., a third-party clearinghouse to perform these procedures.
 3. Qwest has developed data monitoring procedures to track completed payphone records from call origination through the payphone compensation process.
 4. Qwest has established internal protocols to ensure that any software, personnel and network changes do not adversely affect Qwest's ability to track payphone call records.
 5. Qwest creates a quarterly compensable payphone call file by applying logic that matches call detail records against payphone identifiers to call data to identify and select compensable payphone records.
 6. Qwest has developed procedures to provide a compensable payphone call file to Billing Concepts, Inc. for purposes of creating the following required quarterly reports:

Completing Carrier Reports


- a. A list of toll-free and access numbers dialed from each of the payphone service provider's payphones and the ANI for each payphone;
- b. The volume of calls for each number identified in "a" above that were completed by Qwest;

- c. The name, address, and phone number of the person or persons responsible for handling Qwest's payphone compensation; and
- d. The CIC of all facilities-based long distance carriers that routed calls to Qwest, categorized according to the list of toll-free and access code numbers identified in "a" above.

Intermediate Carrier Reports – Intermediate carrier reports are not created by QC. Per Appendix C of the Third Payphone Order, QC is not a facilities-based long distance carrier that switches payphone calls to other facilities-based long distance carriers.

- 7. Qwest has developed and implemented procedures and controls internally or through Billing Concepts, Inc. to identify, respond to, and resolve disputes.
- 8. Qwest has developed and implemented controls around the payphone tracking process to ensure the number of payphone records that error-out of the process are insubstantial.
- 9. Qwest has developed a process and business rules that accurately identify:
 - a. Payphone originated calls – see number 1 above for the criteria used by Qwest for identifying payphone traffic.
 - b. Completed payphone calls that are compensable to the payphone service providers – compensable payphone calls are determined by matching the ANI list received by Billing Concepts, Inc. to the population of payphone records extracted from CRIS billing and AMA history records.
 - c. Payphone calls that are incomplete or otherwise non-compensable – records that do not meet the criteria stated in "b" above are identified as incomplete or non-compensable.
 - d. The payphone service providers to which Qwest owes compensation - the identities of the payphone service providers are determined by the reliance on an ANI list provided by Billing Concepts, Inc.. The ANI list provides the information required for identifying those payphone service providers Qwest is responsible for compensating. The ANI information is the only information needed from the payphone service provider (via Billing Concepts, Inc.) in order to compensate them.

June 30, 2004

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